

DOCUMENT NO. 15
NO CHANGE IN CLASS. ☐
DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE:
AUTH: HP 70-2
DATE: 1-14-86

12 October 1956

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JAPANESE-SOVIET NEGOTIATIONS

- I. Prime Minister Hatoyama and his chief lieutenant, Agriculture and Forestry Minister Kono, will arrive in Moscow today, at the head of a 30-man Japanese delegation. The Japanese expect to negotiate an agreement with the Soviet Union which would restore diplomatic relations between the two countries, but leave the question of an actual peace treaty, as well as the troublesome problem of territorial settlement, for future discussion.
 - A. The USSR has agreed to a formula proposed by Japan which would include:

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1. A declaration ending the state of war.
2. An exchange of Ambassadors.
3. Implementation of the northern fisheries pact.
4. Repatriation of Soviet-held POW's.
5. Soviet support of Japan's UN membership.
6. Continuation of discussions on the territorial question.

11. This six-point formula avoids the two Russian demands which are blocking a formal peace treaty--that Japan (1) acknowledge Soviet sovereignty over the entire Kurils chain and (2) restrict the passage of warships through the 4 strategic straits that lead into the Sea of Japan.

A. However, it foregoes the major Japanese territorial demand--that the two southernmost islands in the Kurils (Itorofu and Kunashiri) be returned to Japan simultaneously with a restoration of relations.

B. It also appears to postpone the return of the Habomais and Shikotan to Japan--which the Soviet Union has promised as a part of any final peace treaty package.

III. The Hatoyama trip is being made in the face of a revolt in Japan's conservative ranks.

A. About half of the Liberal-Democratic (government party) members in the Diet, spearheaded by the faction of ex-premier Yoshida, are opposed to what they claim to be a sell-out of Japan's interests. This clique has organized in opposition to Hatoyama.

- B. The actual long-range objective of this clique is to oust Hatoyama, whose ineptness is hurting the conservative cause.
- C. Unless the Liberal-Democratic party can agree on a successor to Hatoyama, the prospect is for political instability in Japan.
- D. If the settlement in Moscow is adverse to Japan's interests, it might well result in a split in the one-year old ruling conservative coalition.